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International Economic Scoreboard

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- **Japan: Cyclical Weakness Persists**
- **Korea and Taiwan: Untamed Tigers**

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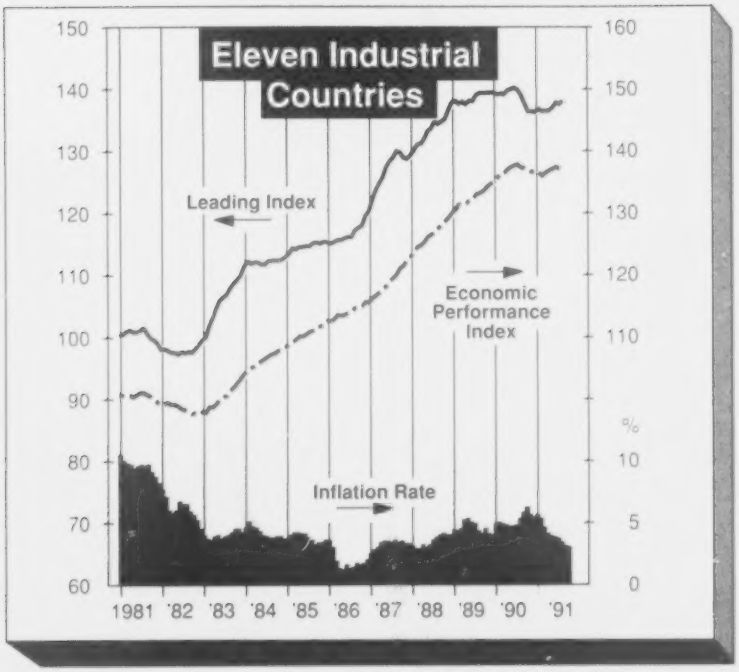
World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates * 6 mos. ago	3 mos. ago	Latest month	Leading Business Cycle Indexes Growth Rates * 6 mos. ago	3 mos. ago	Latest month	Current Reading on the Cycle	Latest Month Covered
Eleven countries	3	-1	0	0	-3	-1	2	Recession stopped	Sept.
Ten countries (U.S. excl.)	3	2	3	1	-2	-3	-1	Expansion continuing, leaders weak	Sept.
North America (2)	3	-7	-4	-1	-5	1	4	Recovery underway	Sept.
Europe (4)	2	3	3	1	1	2	2	Expansion continuing	Sept.
Pacific Region (5)	4	2	3	2	-4	-8	-4	Expansion continuing, leaders weak	Sept.
United States	3	-6	-3	-1	-3	3	6	Recovery underway	Oct.
Canada	3	-6	-2	0	-7	-1	4	Recession ending, leaders improving	Sept.
West Germany	2	6	6	2	4	1	2	Expansion continuing	Sept.
France	2	4	4	3	2	5	2	Expansion continuing	Aug./Sept.
United Kingdom	2	-3	-4	-3	-3	-1	0	Recession ending, leaders improving	Sept.
Italy	2	4	0	6	-2	1	2	Expansion continuing	July/Aug.
Japan	4	3	4	3	-5	-10	-6	Expansion slowing, leaders weak	Sept.
Korea, R.O.K.	7	12	7	6	5	7	14	Expansion continuing	Oct.
Australia	3	-12	-10	-7	-2	1	1	Recession ending, leaders improving	Oct.
New Zealand	2	-2	-2	-2	-4	-3	3	Recession continuing, leaders improving	Sept.
Taiwan, R.O.C.	8	5	5	6	8	8	7	Expansion continuing	Oct.

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Becalmed

The global business cycle is pretty much inert at the moment, balanced quite evenly between the forces of expansion and the forces of recession. This holds true both for the 11-nation performance index and for the leading index, although on close inspection the latter has a very slight upward tilt.

Similarly, the world's three major regions and most of the nations report nearly flat economic measures. North America shows a modest recovery pattern, Europe is nearly flat, and the Pacific region (reflecting, as always the dominance of Japan) reports a continued slow rise in its performance index and a sharp cyclical downswing in its leading index.

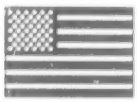
Other than Japan, the only two countries exhibiting any business cycle excitement are Korea and Taiwan (see p.5). The countries that are falling short of expectations are those that experienced recessions in 1990-91 (the English-speaking world, by and large). It would have been reasonable by now to see these countries showing some rebound vigor. Not so. It's true that in the U.S., Canada and the U.K., the recession bottom appears to have been reached and that it appears to be close in Australia and New Zealand, but no evidence of any zip in the recovery has appeared.

The inflation picture in the industrial world continues to look favorable. The 11-country rate declined to 3.0 percent in October, down from 4.1 percent six months ago. Nine of the eleven countries recorded improvement over the latest half-year. The exceptions are West Germany, up from a 2.6 percent rate last April to 4.5 percent in October (which is why the Bundesbank is raising interest rates), and Taiwan, up from 2.5 percent to 3.1 percent. Only one country (Korea) has a rate in excess of 8 percent, while two countries (New Zealand and Australia) show inflation rates below 2 percent.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	4.1	3.7	3.0	Falling	Oct.
Ten countries (U.S. excl.)	5.2	4.1	4.1	3.4	Falling	Oct.
North America (2)	5.6	4.2	3.3	2.6	Falling	Oct.
Europe (4)	6.6	4.2	4.7	4.1	Falling	Oct.
Pacific Region (5)	3.4	3.6	2.9	2.6	Falling	Oct.
United States	5.5	3.8	3.0	3.1	Volatile	Nov.
Canada	5.5	6.7	4.8	2.4	Falling	Oct.
West Germany	2.9	2.6	5.1	4.5	Volatile	Oct.
France	7.3	3.0	2.9	2.6	Falling	Sept.
United Kingdom	7.3	5.3	4.9	3.7	Falling	Oct.
Italy	11.2	6.7	6.4	5.6	Falling	Oct.
Japan	2.5	3.3	2.5	2.3	Falling	Oct.
Korea, R.O.K.	8.1	10.2	8.5	8.5	High but Falling	Oct.
Australia	8.4	4.4	2.4	1.8	Low and Falling	Aug.
New Zealand	11.8	3.9	2.1	1.4	Low and Falling	Aug.
Taiwan, R.O.C.	4.4	2.5	4.9	3.1	Volatile	Oct.

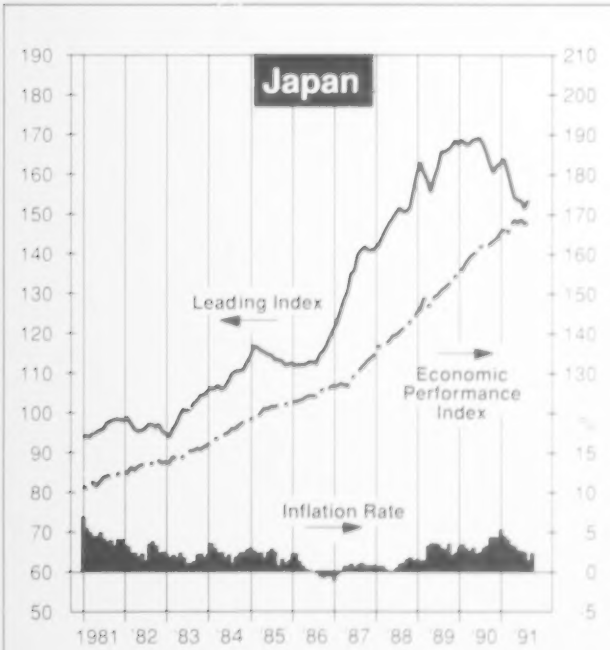
* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.



Rising Leaders, Gloomy Sentiment

The current 6 percent growth rate shown on the summary table for the U.S. leading index will strike most readers as a more optimistic reading than recent economic developments warrant. The recent developments that get most public attention, however, are those shown by production, sales, income and employment, which are not leading indicators and have not recovered much of what they lost during the recession. The leaders have recovered nearly all their losses, and point to a similar future development in the performance measures.

General public sentiment about the recovery, however, does not reflect the improvement seen in the leaders; in fact, public attitudes seem gloomier than ever. In part this is consistent with the very limited recovery to be seen in the U.S. performance index. Historically, during the early recovery stage of the business cycle, the economic performance index has often rebounded less vigorously than the leading index, but in this recovery the difference seems greater than usual. Looking ahead, the leading index points to at least a slow continuation of the cyclical upswing.



Sour Cycle

Cyclical weakness persists in Japan. The performance index has been flat for five months now. At last report the leading index recouped its previous month's loss, but the overall picture still looks very negative. The slump has been widespread among the component series, especially overtime hours, housing starts, materials prices, and business failures.

Like the United States, surveys of Japanese consumers are registering a substantial decline in confidence. Also like the U.S., the gloomy attitudes can be traced in part to problems in the financial markets. The big question remaining about the Japanese business cycle is whether it will be limited to an extended period of no growth or whether it will involve an absolute decline in output.

The Japanese inflation rate ticked back up above the two percent mark. Nonetheless, the inflation story, and prospects for inflation in the year ahead, appear quite favorable.

Untempered Tigers

Korea and Taiwan are the only two nations among the eleven in this report that are clearly riding the crest of a strong cyclical upswing. Both countries experienced a growth-slowdown in 1990--barely noticeable in Korea, more pronounced in Taiwan--but since then have resumed their customary rapid pace of advance.

At latest report both economies are growing at six percent, and the positive signals emanating from their leading indexes--Taiwan's is rising at a 7 percent pace, and Korea's at a startlingly strong 14 percent--bode well for vigorous growth again in 1992.

One major difference in the current economic fortunes of the two countries is inflation. Korea has the highest rate--8.5 percent--of any of our eleven nations, whereas Taiwan's inflation rate is at a moderate 3.1 percent. In both cases, despite the rapid economic growth taking place, the inflation rate has been fairly stable over the course of 1991 with a slight tendency toward deceleration.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too — typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information: David Chon, Editor

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1990-91

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Apr.	90	136	139	142	140	129	136	130	125	161	167
May	90	137	140	142	140	129	137	131	125	162	168
June	90	137	140	143	140	130	138	132	125	162	168
July	90	138	140	144	140	129	138	132	126	164	168
Aug.	90	138	140	144	140	129	138	133	126	164	167
Sept.	90	137	139	144	139	128	137	133	125	163	165
Oct.	90	137	138	144	138	127	135	133	125	164	162
Nov.	90	137	136	144	137	126	133	133	125	164	161
Dec.	90	136	136	145	138	125	133	133	125	165	162
Jan.	91	137	136	146	138	124	132	134	125	166	163
Feb.	91	136	137	146	138	123	132	134	126	167	164
Mar.	91	136	136	145	138	122	132	135	126	166	161
Apr.	91	136	136	146	37	123	133	134	126	167	158
May	91	137	136	146	136	123	134	134	126	169	156
June	91	137	137	147	136	123	135	135	127	168	155
July	91	137	138	147	137	124	137	136	127	168	156
Aug.	91	137	138	147	136	124	137	135	127	168	154
Sept.	91	137	138	147	137	124	137	135	127	168	156
		Growth Rates, Percent									
		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
		4	0	6	2	0	-2	6	2	8	3
		4	1	6	2	1	-1	6	2	8	3
		4	1	6	2	1	0	6	2	7	2
		4	1	6	2	0	0	6	2	7	2
		3	1	5	1	0	0	5	2	6	0
		2	-1	4	-1	-1	-1	4	1	4	-2
		2	-2	4	-2	-2	-3	4	1	4	-5
		1	-4	3	-3	-4	-5	4	0	4	-6
		0	-4	3	-2	-5	-6	3	0	4	-4
		0	-3	4	-2	-6	-6	4	0	5	-3
		0	-2	3	-1	-7	-5	3	1	5	-2
		-1	-3	2	2	-7	-5	3	1	2	-4
		-1	-2	3	-2	-6	-3	2	2	4	-7
		0	-2	3	-3	-5	-1	2	1	5	-8
		0	-1	3	-3	-4	1	3	2	3	-8
		1	0	3	-2	-2	3	3	2	3	-7
		0	0	2	-2	-2	4	1	2	2	-8
		0	2	1	-1	-1	4	1	2	2	-4
		Ten Year Annual Growth Rate, Percent									
		3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-91

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
July	90	128	139	134	119	128	131	148	132	129	117	120	117	162	169	237	226	149	124	113	115	192	234
Aug.	90	128	140	134	119	129	132	148	132	129	117	120	116	162	168	238	226	147	124	113	114	192	232
Sept.	90	128	139	133	118	129	132	148	130	129	117	120	114	162	165	238	234	145	124	113	114	193	230
Oct.	90	127	137	132	118	130	133	149	130	128	116	119	115	163	163	237	223	144	123	114	114	195	229
Nov.	90	126	135	131	116	130	133	149	130	128	115	120	114	164	160	237	233	141	123	114	114	195	236
Dec.	90	124	134	130	115	131	134	150	129	127	114	121	114	164	162	242	232	142	122	113	113	194	235
Jan.	91	123	134	128	114	133	134	151	130	126	114	122	114	166	163	248	234	143	122	113	113	197	239
Feb.	91	122	134	128	112	133	135	151	131	126	114	122	115	166	164	249	227	141	122	112	112	201	239
Mar.	91	122	134	128	113	134	135	151	132	126	114	122	115	165	161	249	230	138	122	112	112	199	243
Apr.	91	122	135	129	114	134	134	152	133	124	115	120	116	167	158	255	234	135	122	112	112	199	246
May	91	122	136	129	115	134	133	152	134	124	115	122	116	169	154	253	236	136	123	112	112	202	249
June	91	122	137	129	116	135	134	152	135	124	115	124	116	168	154	251	229	137	122	112	112	202	253
July	91	123	139	130	116	135	134	153	135	124	116	125	116	169	153	254	239	133	124	112	113	202	249
Aug.	91	123	139	129	117	134	134	153	134	123	115		116	168	152	257	244	137	124	112	112	202	251
Sept.	91	123	139	130	117	134	135		134	124	115			168	154	255	243	133	123	112	115	203	252
Oct.	91	123	140													256	251	133	124			205	253
		Growth Rates, Percent																					
July	90	1	0	0	-5	8	4	8	5	2	-1	4	-1	9	2	8	2	-2	-5	2	-3	-1	-1
Aug.	90	0	0	-1	-3	8	4	7	3	1	-2	4	-2	8	0	8	2	-4	-4	0	-4	-1	-3
Sept.	90	-1	-1	-2	-4	6	4	6	1	1	-1	2	-5	6	-2	6	8	-5	-4	0	-3	0	-5
Oct.	90	-2	-3	-2	-4	6	4	6	0	0	-2	2	-3	6	-6	4	-2	-7	-5	1	-2	2	-5
Nov.	90	-4	-5	-4	-5	6	4	5	0	-1	-4	2	-4	6	-8	3	6	-9	-4	2	-3	1	0
Dec.	90	-5	5	-5	-7	5	4	5	1	-2	-4	3	-3	5	-5	6	4	-7	-5	0	-4	0	0
Jan.	91	-6	-6	-7	-8	8	5	6	0	-3	-5	4	-3	6	-4	10	5	-6	-5	-1	-3	4	2
Feb.	91	-7	-4	-7	-9	7	5	4	1	-3	-5	3	-2	6	-2	9	-1	-8	-3	-2	-4	7	2
Mar.	91	-7	-5	-6	-7	6	4	4	2	-3	-3	3	-1	3	-5	8	1	-10	-3	-2	-4	5	6
Apr.	91	-6	-3	-4	-5	6	2	4	4	-5	-2	0	1	6	-8	12	5	-12	-2	-1	-2	5	8
May	91	-5	-1	-3	-2	5	1	4	4	-5	-1	3	1	6	-11	8	5	-10	0	-1	-3	6	10
June	91	-4	1	-2	1	6	1	3	5	-4	-1	6	1	4	-10	6	0	-7	-1	-2	-3	6	12
July	91	-3	3	-1	1	5	0	4	5	-4	1	6	2	5	-9	7	7	-10	1	-1	-1	5	8
Aug.	91	-2	4	-1	2	2	1	3	4	-4	-1		2	3	-10	9	10	-4	2	-2	-1	4	9
Sept.	91	-1	5	0	4	2	2		2	-3	0			3	-6	6	8	-8	1	-2	3	4	8
Oct.	91	-1	6													6	14	7	1			6	7
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8